# Insurance Corporation of British Columbia

## Eleventh Annual Report 1983

Contents:


| | |
|---|---|
| Report of the Board of Directors | 2 |
| Click! The Sound of Safety | 4 |
| Investments | 10 |
| Autoplan Fund | 11 |
| Unpaid Claims | 13 |
| Five Year Comparison | 13 |
| General Insurance | 14 |
| Financial Statements | |
| Insurance (Motor Vehicle) Act Fund | 16 |
| General Insurance and Other Operations | 17 |
| Balance Sheet | 18 |
| Changes in Financial Position | 20 |
| Notes to Financial Statements | 21 |
| Auditors' Report | 23 |
| Board of Directors | 24 |
| President's Committee | 24 |
| Claim Service Locations | 24 |

# *Report of the Board of Directors*

The Insurance Corporation of British Columbia was created in April 1973 by Act of the Provincial Legislature. The General Insurance Division issued its first policy on October 1, 1973, but the plan of comprehensive universal automobile insurance — referred to as **Autoplan** — came into effect on March 1, 1974. Essentially, therefore, ICBC has completed a decade of operation.

The Corporation's primary mandate was to provide quality insurance coverage to the motorists of British Columbia at cost, with revenues and expenses in balance. As the Corporation completes its tenth year, the Board of Directors can review a period that included many achievements. These include the introduction of a claim-related premium scale, non-discriminatory premium pricing, an extensive dial-a-claim reporting procedure and innovative traffic safety education programs.

The task of operating on a break-even financial basis when annual revenues approximate $800 million, and both the frequency and severity of claims have to be estimated, is not a simple one. Nevertheless, in each of the last three years the Corporation has operated with a surplus of less than 1% of total income.

The keynote for 1983 was fiscal restraint. As a result all programs and procedures were rigorously scrutinized to ensure maximum efficiency and economy. The financing of premiums was one program which was discontinued. This

decision was not reached easily, as the finance plan's convenience to a number of motorists was considered. However, the program was resulting in a cost to all policyholders — some $4 million in 1983 — and was utilized by only a portion of the insured public, so that the balance of the motorists were being inequitably burdened.

The economic climate affected the number of Autoplan policies in force. The number remained at 1.8 million, virtually unchanged from the previous year. Total premiums earned were $695.1 million, an increase of 6% over 1982. Claims costs totalled $625.7 million, an increase of 3%. Autoplan operations succeeded in achieving its mandate with an income of $4.3 million, or 0.6% of premiums earned.

Administrative expenses increased by $6.4 million over 1982. A special provision for uncollectable accounts receivable and an increase in basic compensation were the main contributors to the increase, being partially offset by a decline in the staffing level to 1,145 by year end, a reduction of 6%.

Claim operations expense at $63.5 million, increased marginally over the previous year. The year end claim staff level of 1,341 was 6% less than the previous year. Claim services were improved with the opening of separate Bodily Injury centres in the Lower Mainland to ensure a concentration of expertise and the consequent improved handling of injury-related claim files. The Directors' concern for the mounting cost of injury claims is reflected in the editorial emphasis this report gives to the Corporation's efforts to increase seat belt usage.

The cost control program in physical damage repairs is showing very positive results with Property Damage and Comprehensive coverages recording average cost reductions in 1983. The same number of physical damage claims would have cost $9 million more in 1982 than they did in 1983. The Board is pleased that this program, set in motion three years ago, has been successful in meeting its goal.

The General Insurance Department reported a net income of $1.2 million on net earned premium volume of $29.3 million. Claims and claim operations expense at $19.3 million, was marginally lower in 1983 due mainly to fewer large claims.

Investment income continues to play a significant part in premium reduction for British Columbia motorists. During 1983 the investment portfolio earned income of $101.8 million and this was the equivalent of $55 for every Autoplan policy.

During the summer of 1983 the Corporation completed its move to the new Head Office building on Lonsdale Quay in North Vancouver. The building is totally functional and has improved work efficiency.

The Board of Directors wishes to express its appreciation to all employees who have worked so hard in making 1983 a successful year of service to the motorists of British Columbia.

*JOHN C. GILMER*
*Chairman of the Board*

*THOMAS E. HOLMES*
*President and Chief Executive Officer*

*On behalf of the Board of Directors*
*Insurance Corporation of British Columbia*
*February 13, 1984*

# CLICK!

*he So Safety*

In the ten years since its creation, the Insurance Corporation of B.C. has steadily increased its commitment to traffic safety. Recognizing its dual responsibilities as a Crown Corporation and as a major insurance company, ICBC actively participates in the government-related effort to reduce the human and economic costs of automobile accidents on a province-wide basis.

The task is endless. Experience here and elsewhere in the world shows that success is hard won ... that the ground gained with each new program can be difficult to maintain and fresh approaches have to be devised continually.

For example, British Columbia's mandatory seat belt legislation enacted in 1977, represented a victory in the field of traffic safety. But, as the chart on page six shows, early gains in the seat belt wearing rate dwindled away in subsequent years.

Clearly, good legislation provides the necessary foundation for successful traffic safety programs. But it is the continuing work of schools, law enforcement agencies and concerned community organizations that will lead to long-term, measurable success.

"80% CLICKS!"

In the spring of 1983, the people of British Columbia achieved something remarkable — not only did motorists respond to the media and to law enforcement by buckling up, but individuals and organizations learned the benefits of planning and co-ordinating activities to achieve a common goal.

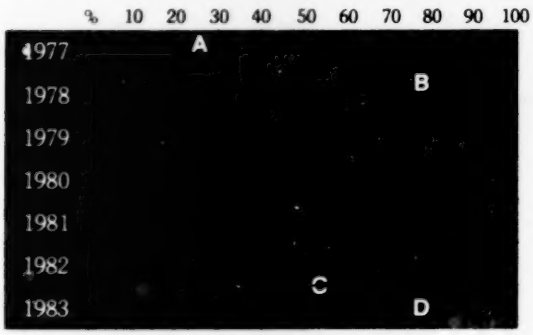
"80% Clicks!", a program initiated by the Traffic Safety Education Department of the Insurance Corporation, was a major test of the co-operative network approach to traffic safety. It called for unprecedented community involvement, dedicated law enforcement, and strong media co-operation.

The immediate goal of the program was to raise the seat belt wearing rate to 80%, a level that Canadian traffic experts regard as achievable, realistic and necessary. Equally important was the ongoing objective of increasing public awareness of the benefits of seat belt use.

"80% Clicks!" began simultaneously throughout the province on May 20, 1983. As community groups, educators, businesses, the media and others worked to heighten public understanding, the RCMP and municipal police forces clamped down on drivers and passengers, issuing nearly 3,000 written warnings and charging more than 15,000 people for failing to buckle up.

People of every age and from many walks of life found ways to contribute, staging special events, conducting surveys, holding contests ... or simply reminding friends and loved ones to fasten their seat belts. Community pride played a major part in "80% Clicks!" too — citizens were able to compare wearing rates in their areas with those in other towns and cities.

## Driver Seat Belt Usage




A-Before seat belt legislation
B-After seat belt legislation
C-Before "80% clicks"
D-After "80% clicks"

"HOW MANY CLICKS?"

At the end of the intensive three-week campaign, independent researchers conducted a survey of 5,660 vehicles and 8,900 occupants in nearly 30 police jurisdictions. The results were encouraging:

- 73% of drivers were found to be wearing seat belts, up from 58% and 62% of all vehicle occupants were using some form of restraints, up from 56%.
- Seat belt use increased in all age groups, except those between the ages of six and 15-years.
- 24 of the 28 police jurisdictions surveyed showed an increase in seat belt use.

The survey also identified other facts about seat belt use in B.C. For example, experienced drivers

had the highest usage while those with only four or five years' experience had the lowest rate. Fewer than half of the passengers of first-year drivers were wearing restraints. And women were found to be more seat belt conscious than men, achieving an average 70% rate, compared to 65% for males.

Provincial averages, however, do not tell the whole story of "80% Clicks!". They don't reveal that the citizens of Burnaby, Kelowna and North Vancouver reached or exceeded the 80% goal for drivers. Nor do they show that in Powell River, where the driver wearing rate had been one of the lowest in the province, surveyors found 74% of drivers were buckling up.

A comparison of seat belt usage rates in 1982 with those achieved after "80% Clicks!" graphically shows the progress made in many communities. (See page eight).

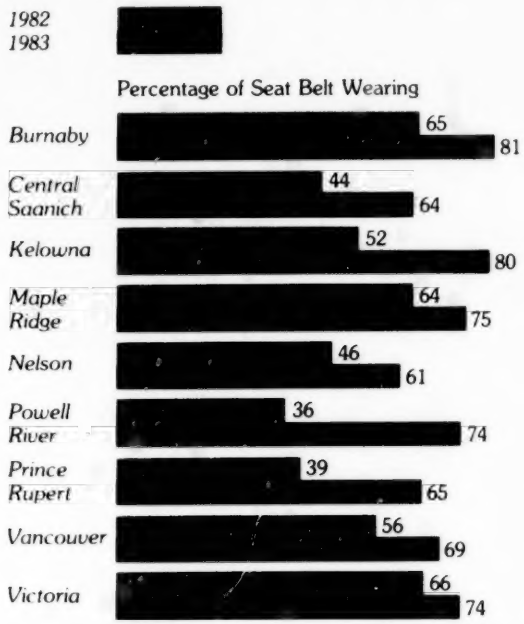
## "THE COST OF SAFETY"

"80% Clicks!" gave the Insurance Corporation a rare opportunity to evaluate the cost effectiveness of a traffic safety program. Using actual accident data for the month of June, 1983, it was observed that of the 344 people involved in serious traffic accidents, about 10% more than expected were wearing seat belts.

Based on minimum assumptions about the effectiveness of seat belts, it is certain that five lives were saved and 100 serious injuries were avoided, in just the month of June, through the increase in seat belt use. The minimum dollar saving (again, just in June) to ICBC alone, is estimated at more than $1 million.

Clearly, at a cost to the Insurance Corporation of only $90,000, "80% Clicks!" was a sound investment.

## Change in Driver Wearing rate 1982-1983




### "MAINTAINING MOMENTUM"

The "80% Clicks!" program, beyond its immediate value in reducing injury and death, serves as an example of community co-operation and of the success that can be achieved by the police and the media in convincing citizens to buckle up.

The Insurance Corporation, acknowledging the need for a continuing high level of seat belt use, has launched many new and imaginative traffic safety programs for 1984. Employers, for example, can look forward to "Clickcheck", a program designed to reduce employer and employee costs resulting from traffic crashes on and off the job.

Health personnel — doctors, nurses and public health workers — are presently implementing an infant and child restraint kit, developed to increase restraint usage by children under six years old.

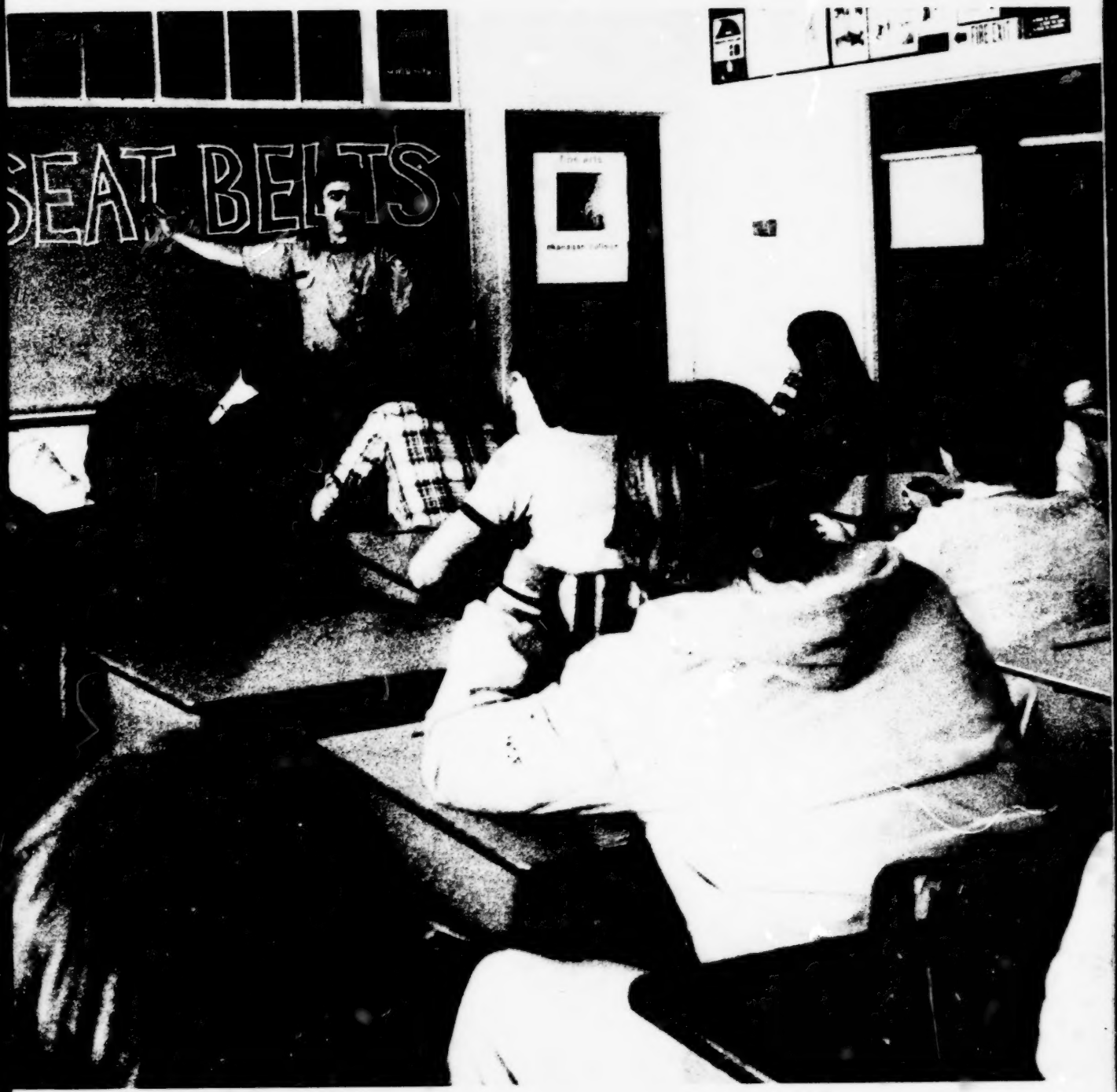
Educators will soon be using the new Traffic Safety Elementary School Kit, designed as a beginning program for all Kindergarten to Grade 7 students. Included are rural projects and special needs projects.

High school students are being given traffic safety leadership training so that every high school in the province will have a traffic safety committee.

Police officers, meanwhile, have designed a new, intense drinking driving campaign that will also help maintain British Columbia's high level of seat belt use.

In recognition of those who wear seat belts, the Corporation continues its Living Proof program which presents awards to motorists who escaped serious injury in potentially fatal accidents because they were buckled up. Their dramatic stories are prominently featured by local media so that they serve as positive reminders that seat belts save lives. 74 awards, consisting of a certificate, lapel pin and decal, have been presented since the program began in March, 1983.

"Click!" is the sound of safety in British Columbia. And it's a satisfying sound to the Insurance Corporation in its continuing effort to have B.C. motorists buckle up at all times.

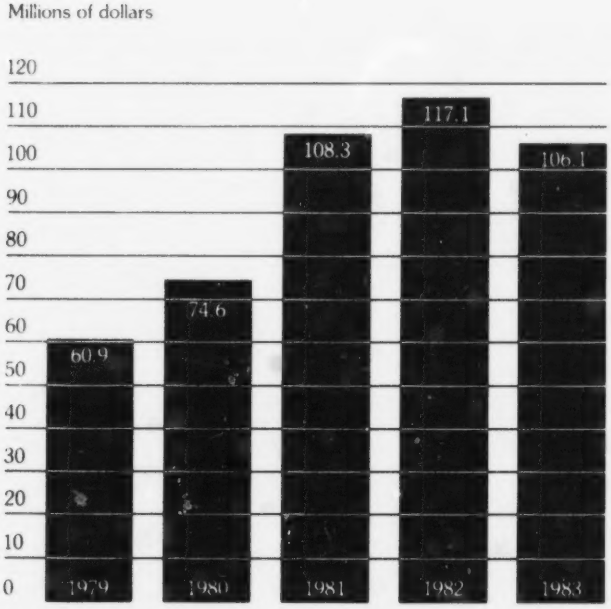

SEAT BELTS

**Investment Portfolio as at December 31, 1983**

| | *$ Million* | *%* |
|---|---|---|
| Federal | 605.3 | 64.8 |
| Provincial | 110.5 | 11.8 |
| Municipal | 14.2 | 1.5 |
| Banks | 91.5 | 9.8 |
| Corporations | 44.9 | 4.8 |
| Canadian Dollar Eurobonds | 10.1 | 1.1 |
| Call Loans | 19.6 | 2.1 |
| U.S. Dollar Bonds and Deposits | 37.9 | 4.1 |
| | 934.0 | 100.0 |

## *Investments*

**Total Corporate Investment Income 1979-1983**




The Corporation is responsible for a significant amount of policyholders' funds which are held to meet obligations which will arise in the future. These obligations are mainly unpaid claims and unearned premiums received for coverages which apply to periods extending beyond December 31, 1983. At December 31, 1983 the total investment fund stood at $934 million.

The funds are invested in Canadian debt instruments with preference given to organizations based in B.C. Investments include federal, provincial and municipal government, and business and financial institution securities.

Interest rates declined during the early part of the year, rebounding somewhat in later months. The average yield realized on investments was 11.69%.

Investment income made up 12.8% or $101.8 million of the total revenue of the Autoplan Fund and 12.9% or $4.3 million of the total revenue of the General Insurance Department.

## *Autoplan Fund*

Operations of the Insurance (Motor Vehicle) Act Fund for the year ended December 31, 1983 resulted in income of $4.3 million. Total revenues including investment income, were $796.9 million while claim costs and operating expenses totalled $791.3 million.

Net vehicle premiums written during the year were $686.8 million. Premiums earned were $670.6 million. The average premium per policy was $379. Policyholders' patterns of buying insurance coverage and deductible levels changed slightly from 1982. The trend away from low collision deductibles continued while extension liability declined fractionally. There was further growth in the purchase of Underinsured Motorist Protection, despite economic conditions. In accordance with the Provincial Government restraint program the Insurance Corporation's 1983 rate increase was restricted to 6%. This level of increase combined with the impact of the 'no claims' discount meant that the majority of B.C. vehicle owners faced premium increases of no more than 3 to 4%.

The total cost of claims incurred in 1983 was $625.7 million. Overall there was a 19% increase in the average cost of a claim reported in 1983.

The cost of property-related claims declined in 1983. Severity control procedures contributed to a 4% decline in the average cost of each claim while the actual number of claims recorded declined by 9%.

The cost of injury-related claims continued to rise. Although there was a 4% decline in the number of motor vehicle-related deaths reported, both Bodily Injury and Accident Benefit claims increased sharply. 1983 saw a 21% rise in severity and a 16% increase in the number of recorded Bodily Injury claims.

Claim operations expenses amounted to $63.5 million, an increase of 2% over the previous year.

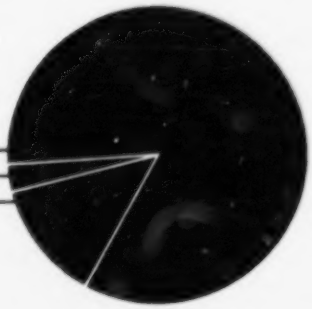
Administrative and commission expenses totalled $102.1 million, an increase of $6.3 million over 1982. These current difficult economic times caused a significant increase in costs resulting from uncollectible outstanding receivables. The overall expense ratio for 1983 was 15% and continues to be among the best in the North American insurance industry.

Photo: North Shore News

*12 Months ended December 31, 1983*

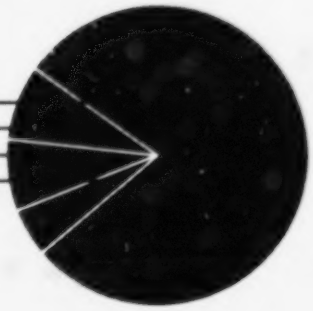
## Autoplan Income

| | $ Millions | % |
|---|---|---|
| Vehicle premiums earned | 670.6 | 84 |
| Driver premiums earned | 24.5 | 3 |
| Investment income | 101.8 | 13 |
| | 796.9 | 100 |



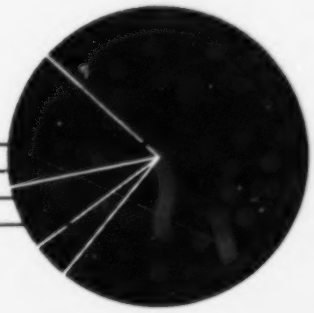
## Autoplan Income Use

| | $ Millions | % |
|---|---|---|
| Claims incurred | 625.7 | 79 |
| Claim operations costs | 63.5 | 8 |
| Administrative costs | 61.4 | 8 |
| Commissions | 40.7 | 5 |
| | 791.3 | 100 |
| Non-recurring expense | 1.3 | — |
| Income for the year | 4.3 | — |
| | 796.9 | 100 |



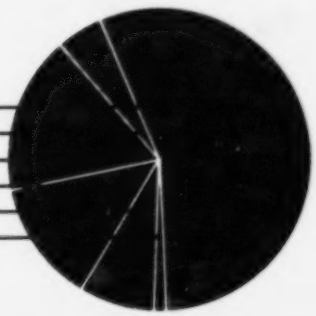
## Vehicle Premiums Written By Category

| | $ Millions | % |
|---|---|---|
| Private passenger | 506.8 | 74 |
| Light commercial | 106.5 | 15 |
| Heavy commercial | 48.8 | 7 |
| Recreational | 24.7 | 4 |
| | 686.8 | 100 |



## Autoplan Claims Incurred

| | $ Millions | % |
|---|---|---|
| Bodily injury | 351.4 | 56 |
| Accident benefits | 30.3 | 5 |
| Property damage | 103.2 | 17 |
| Collision | 81.2 | 13 |
| Comprehensive | 50.4 | 8 |
| Other | 9.2 | 1 |
| | 625.7 | 100 |



## *Unpaid Claims*

Unpaid Claims includes a provision for reported and unpaid claims, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

| *Year* | *Insurance (Motor Vehicle) Act Fund* | *General Insurance* | *Total* |
|---|---|---|---|
| | | *(Thousands of dollars)* | |
| 1979 and prior | 66,491 | 1,359 | 67,850 |
| 1980 | 71,929 | 1,259 | 73,188 |
| 1981 | 106,309 | 1,948 | 108,257 |
| 1982 | 164,241 | 3,302 | 167,543 |
| 1983 | 353,087 | 9,470 | 362,557 |
| Total unpaid claims at December 31, 1983 | $762,057 | $ 17,338 | $779,395 |

## *Five Year Comparison*

| | *Year Ending* | | | | |
|---|---|---|---|---|---|
| | *Dec. 1983* | *Dec. 1982* | *Dec. 1981* | *Dec. 1980* | *Dec. 1979* |
| AUTO INSURANCE | | | | | |
| Vehicle policies | 1,833,000 | 1,821,000 | 1,873,000 | 1,805,000 | 1,671,000 |
| Premium income ($000) | 695,000 | 658,000 | 562,000 | 419,000 | 378,000 |
| Average premium ($) | 379 | 361 | 300 | 232 | 226 |
| Number of claims for policy year | 443,000 | 476,000 | 480,000 | 477,000 | 418,000 |
| Cost of claims incurred ($000) | 626,000 | 609,000 | 553,000 | 450,000 | 338,000 |
| Unpaid claims ($000) | 762,000 | 624,000 | 578,000 | 450,000 | 366,000 |
| Expense ratio % | 15 | 14 | 13 | 17 | 18 |
| Investment income ($000) | 101,800 | 112,100 | 102,600 | 70,700 | 58,200 |
| Income (loss) ($000) | 4,300 | 3,200 | 600 | (68,000) | 3,800 |
| GENERAL INSURANCE | | | | | |
| Policies written | 121,000 | 117,000 | 101,000 | 106,000 | 95,000 |
| Net premiums earned ($000) | 29,300 | 26,300 | 23,500 | 21,800 | 21,000 |
| Number of claims recorded | 12,000 | 13,000 | 10,000 | 10,000 | 9,000 |
| Net claims costs ($000) | 19,000 | 20,000 | 17,000 | 14,000 | 13,000 |
| Unpaid claims ($000) | 17,000 | 19,000 | 17,000 | 13,400 | 10,800 |
| Investment income ($000) | 4,300 | 5,000 | 4,400 | 3,100 | 2,500 |
| Income ($000) | 1,200 | 68 | 1,300 | 1,800 | 1,400 |
| CORPORATE | | | | | |
| Average number of employees | 2,724 | 2,853 | 1,510* | 2,387 | 2,363 |
| Investments at year end ($000) | 934,000 | 775,000 | 701,000 | 585,000 | 525,000 |
| Total assets ($000) | 1,110,000 | 944,000 | 877,000 | 667,000 | 587,000 |

*For 5 months of 1981 about 2,200 employees were involved in a labour dispute with the Corporation.

## *General Insurance-Operations*

The General Insurance Department completed its 10th year of service to the people and businesses of British Columbia on October 1, 1983. The current year's operations resulted in earned income of $1.2 million.

In 1983 the gross written premiums were slightly below the prior year. However, improvements in the reinsurance program resulted in a 7% growth in the net written premiums. The attainment of this result was most satisfactory considering the intensity of market competition and the loss of the public schools and colleges business, which was awarded to the private insurance sector in early 1983.

The general insurance operation provides a comprehensive range of insurance products for homes, apartments, mobile homes and pleasure craft, as well as covering risks for business, industry and institutional establishments. It continues to be responsive to the insurance needs of all communities throughout the entire province.

During the year, a number of coverage improvements were introduced to Personal Lines products, including Guaranteed Replacement Cost in respect of Homeowners Homeplan forms of coverage. The Corporation continues to strive for the most comprehensive coverage possible with a view to serving the customers better, while recognizing its responsibility to maintain adequate premium levels.

## General Insurance - Financial

Net Operating income from General Insurance operations for the year ended December 31, 1983 was $1.2 million on gross written premiums of $34.8 million.

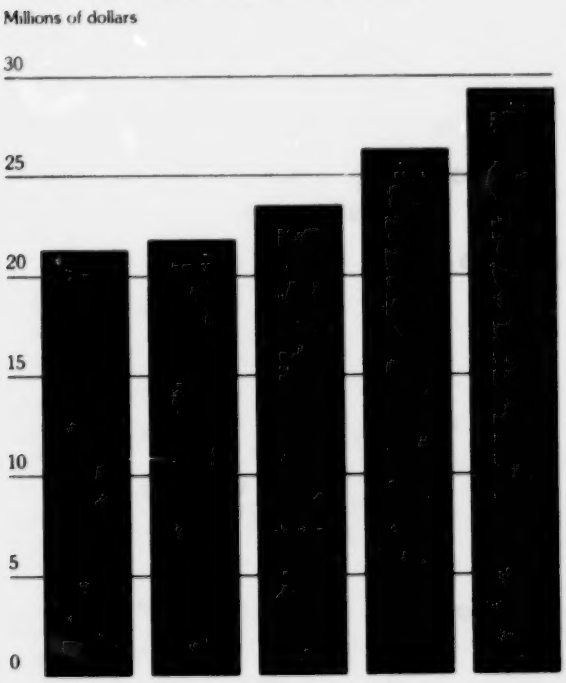
Net earned premiums amounted to $29.3 million — an increase of 11% over the previous year as a result of reduced reinsurance costs. While the number of claims was similar to the previous year, the claims incurred and claim operations expense of $19.3 million was three precent less, due mainly to a decrease in the number of large claims.

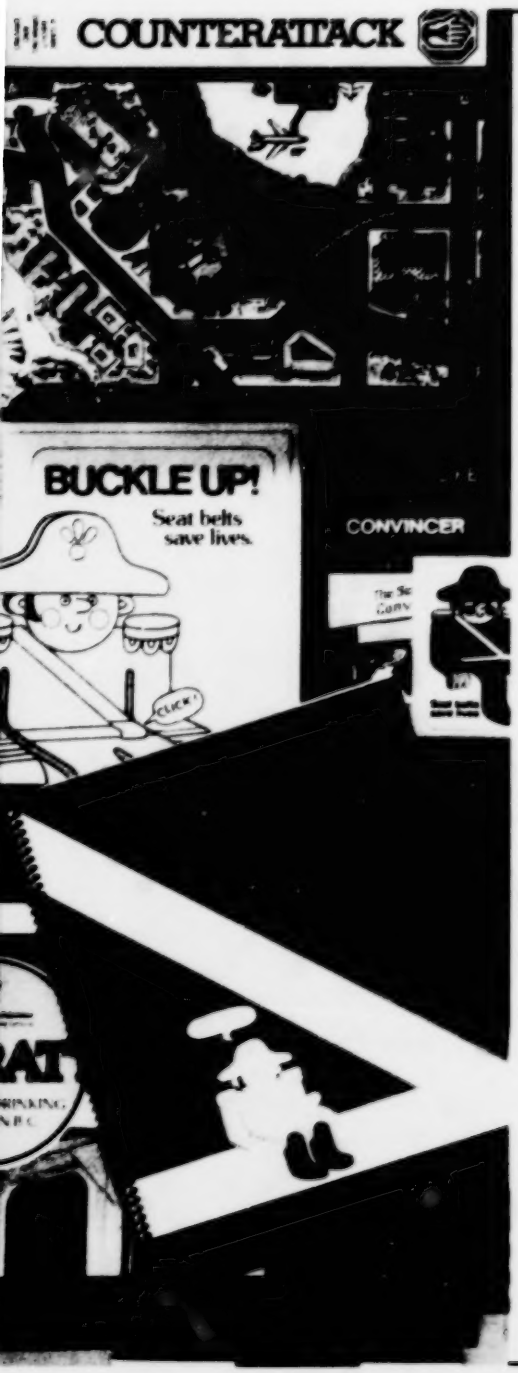
Investment income was somewhat less in 1983 than in 1982 as a result of declining yields. However, it was more than sufficient to offset the modest underwriting loss.

The Catastrophe Reserve was strengthened by an appropriation of $500,000 which increases the fund to $6.5 million. The unappropriated retained earnings are $1.9 million as at December 31, 1983.

Introduction of rate increases, including a 5% increase on all Personal Lines habitational business rates in mid-year, along with an emphasis on maintenance of underwriting standards and the beneficial effect of a relatively mild winter, resulted in a significant improvement in the All Lines earned premium to incurred loss ratio to 66% in 1983 from 76% in 1982.

**Net Premiums Earned 1979-1983**






*Insurance Corporation of British Columbia*
***Insurance (Motor Vehicle) Act Fund***
***Statement of Operations***
*Year Ended December 31, 1983*

| | *1983* | *1982* |
|---|---|---|
| | *(Thousands of dollars)* | |
| Revenue | | |
| Vehicle premiums written | $686,765 | $668,028 |
| Driver premiums written | 23,777 | 29,013 |
| | $710,542 | $697,041 |
| Vehicle premiums earned | $670,621 | $632,137 |
| Driver premiums earned | 24,469 | 25,429 |
| | 695,090 | 657,566 |
| Claims Costs | | |
| Claims incurred | 625,674 | 608,599 |
| Claim operations expense | 63,502 | 62,050 |
| | 689,176 | 670,649 |
| Expenses | | |
| Administrative | 61,418 | 54,997 |
| Commissions | 40,726 | 40,811 |
| | 102,144 | 95,808 |
| Total claims and expenses | 791,320 | 766,457 |
| Underwriting loss | 96,230 | 108,891 |
| Investment income | 101,841 | 112,091 |
| | 5,611 | 3,200 |
| Non-recurring expense (Note 4) | 1,275 | — |
| Income for the year | 4,336 | 3,200 |
| Unappropriated surplus — beginning of the year | 8,208 | 5,008 |
| Unappropriated surplus — end of the year | $ 12,544 | $ 8,208 |

*Insurance Corporation of British Columbia*
***Statement of General Insurance and Other Operations***
*Year Ended December 31, 1983*

| | *1983* | *1982* |
|---|---|---|
| | *(Thousands of dollars)* | |
| Revenue | | |
| Gross premiums written | $34,839 | $35,089 |
| Net premiums written | 31,107 | 28,956 |
| Net premiums earned | 29,280 | 26,328 |
| Net Claim Costs | 19,335 | 19,934 |
| Expenses | | |
| Administrative | $ 5,786 | $ 5,531 |
| Commissions | 6,346 | 4,970 |
| Premium taxes | 951 | 846 |
| | 13,083 | 11,347 |
| Total claims and expenses | 32,418 | 31,281 |
| Underwriting loss | 3,138 | 4,953 |
| Investment income | 4,346 | 5,021 |
| Income from General Insurance operations | 1,208 | 68 |
| Loss from other operations (Note 4) | (122) | (44) |
| Non-recurring expense (Note 4) | (108) | — |
| Income for the year | 978 | 24 |
| Unappropriated retained earnings — beginning of the year | 1,394 | 1,870 |
| Appropriation for: Catastrophe reserve (Note 5) | (500) | (500) |
| Unappropriated retained earnings — end of the year | $ 1,872 | $ 1,394 |

*Insurance Corporation of British Columbia*
***Balance Sheet***
*As at December 31, 1983*

| | 1983 | 1982 |
|---|---|---|
| | *(Thousands of dollars)* | |
| ***Assets*** | | |
| Cash in hands of agents | $ 1,175 | $ 1,324 |
| Investments (Note 6) | 933,973 | 774,938 |
| Finance Plan receivables | 30,676 | 36,605 |
| Other receivables | 33,505 | 40,560 |
| Deferred premium acquisition costs | 19,705 | 14,328 |
| Property and equipment (Note 7) | 90,475 | 76,036 |

*Approved by the Board:*

*Director:*

*Director:*

| | |
|---|---|
| $1,109,509 | $943,791 |

| | 1983 | 1982 |
|---|---|---|
| | (Thousands of dollars) | |
| **Liabilities** | | |
| Bank indebtedness | $ 6,863 | $ 3,217 |
| Accounts payable and accrued charges | 23,752 | 24,513 |
| Motor Vehicle Department | 3,433 | 4,501 |
| Premiums in advance | 14,095 | 9,334 |
| Unearned premiums (Note 9) | 255,955 | 238,676 |
| Unpaid claims (Note 10) | 779,395 | 642,848 |
| | 1,083,493 | 923,089 |
| Insurance (Motor Vehicle) Act Fund unappropriated surplus | 12,544 | 8,208 |
| | 1,096,037 | 931,297 |
| **Retained Earnings** | | |
| Catastrophe reserve (Note 5) | 6,500 | 6,000 |
| Rate Stabilization reserve (Note 5) | 5,100 | 5,100 |
| Unappropriated retained earnings | 1,872 | 1,394 |
| | 13,472 | 12,494 |
| | $1,109,509 | $943,791 |

*Insurance Corporation of British Columbia*
***Statement of Changes in Financial Position***
*Year Ended December 31, 1983*

| | *1983* | *1982* |
|---|---|---|
| | *(Thousands of dollars)* | |
| Resources provided: | | |
| From Insurance (Motor Vehicle) Act Fund Operations (Note 11) | $ 12,104 | $ 7,911 |
| From General Insurance and other operations (Note 11) | 1,017 | 99 |
| Increase in unearned premiums | 17,279 | 42,978 |
| Increase in unpaid claims | 136,547 | 48,356 |
| Decrease in Finance Plan receivables | 5,929 | 24,148 |
| Increase in premiums in advance | 4,761 | — |
| Sale of property and equipment | 504 | 1,330 |
| Net decrease in other assets and liabilities | 917 | — |
| | 179,058 | 124,822 |
| Resources applied: | | |
| Purchase of property and equipment | 22,750 | 26,992 |
| Decrease in fees payable to Motor Vehicle Department | 1,068 | 3,270 |
| Decrease in premiums in advance | — | 3,936 |
| Net increase in other assets and liabilities | — | 11,558 |
| | 23,818 | 45,756 |
| Increase in resources for year | 155,240 | 79,066 |
| Investment and net cash — beginning of the year | 773,045 | 693,979 |
| Investment and net cash — end of the year | $928,285 | $773,045 |

## *Notes to Financial Statements*

*December 31, 1983*

### 1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Insurance (Motor Vehicle) Act Fund.

The Insurance (Motor Vehicle) Act Fund is by legislation a separate entity for financial reporting purposes. A statement showing the results of the operation of the Fund is included with the financial statements of the Corporation and the balance of the Fund, which represents its accumulated unappropriated surplus, is reflected in the balance sheet of the Corporation. The Fund consists of the revenues and expenses attributable to the Insurance (Motor Vehicle) Act Fund operations. All assets and liabilities are held by the Corporation.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Reporting**

As prescribed by Section 21(4) of the Insurance Corporation Act, the financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

**Investments and Investment Income**

Investments are carried at amortized cost plus accrued interest. Premiums or discounts on bond purchases are amortized over the term to maturity of each bond.

Income on interest bearing securities is accrued on a daily basis. Capital gains and losses on sales of securities are recognized as they occur.

**Deferred Premium Acquisition Costs**

Commissions and General Insurance premium taxes are expensed over the terms of the insurance policies to which they relate.

**Depreciation and Amortization**

Depreciation is provided on a straight-line basis commencing in the month following that in which assets are placed in service at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

**Leases**

Leases are classified as capital or operating leases. A lease which transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred. The capitalized lease obligations reflect the present value of future rental payments discounted at the interest rate implicit in the lease. The corresponding amounts are capitalized and depreciated over the assets' estimated useful lives (Note 8).

**Unearned Premiums**

The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each vehicle policy, General Insurance policy or driver's premium.

**Unpaid Claims**

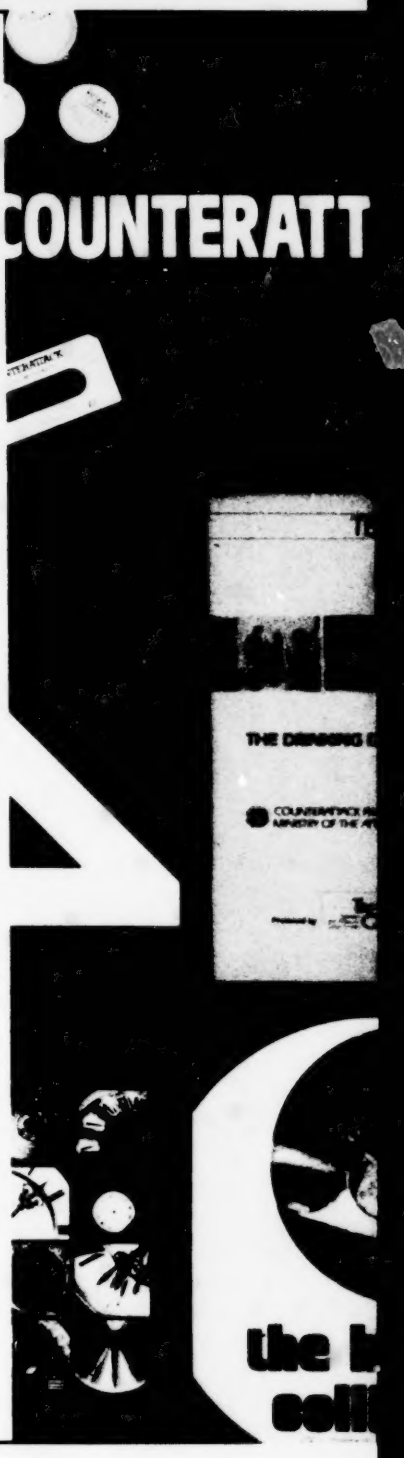
Unpaid claims includes a provision for reported and unpaid claims, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

**Prior Year's Figures**

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

### 3. REINSURANCE

The Corporation underwrites and reinsures policies of insurance which, in the main, limit the liability of the Corporation to the maximum amount on any one loss of $200,000 for General Insurance policies and $1,000,000 ($750,000 in 1982) for Autoplan policies. In addition the Corporation has obtained reinsurance having an upper amount of $60,000,000 which limits the Corporation's liability to $2,412,500 in the event of a series of claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.



## 4. LOSS FROM OTHER OPERATIONS AND NON-RECURRING EXPENSE

The loss from other operations represents the net result of operating an automobile repair and bodyshop facility. These operations ceased as of May 31, 1983. Non recurring expense represents the one time cost of moving the Corporation's Head Office from leased premises in Vancouver into its owned Head Office building in North Vancouver.

## 5. RESERVES

**General Insurance Operations**

A Catastrophe Reserve has been established to absorb the possible impact of losses arising from catastrophic occurrences, in common with the industry practice. Catastrophes such as earthquakes, storms or conflagrations occur at random and the losses arising could be substantial.

The Corporation has appropriated from retained earnings an additional $500,000 to the Catastrophe Reserve. The appropriation increases this reserve to $6,500,000.

The Rate Stabilization Reserve has been established to lessen the potential impact on General Insurance premiums of significant variations in claims loss experience in future years. Amounts may be withdrawn from this reserve in loss years or may be added in years with an income.

## 6. INVESTMENTS

| | *Dec. 31, 1983* | | *Dec. 31, 1982* | |
|---|---|---|---|---|
| | *(Thousands of dollars)* | | | |
| | *Cost* | *Market* | *Cost* | *Market* |
| Short term Deposit Receipts, Call Loans and Notes | $213,974 | $213,974 | $214,807 | $214,807 |
| Bonds | 719,999 | 696,560 | 560,131 | 550,967 |
| | $933,973 | $910,534 | $774,938 | $765,774 |

## 7. PROPERTY AND EQUIPMENT

| | *Cost* | *Accumulated Depreciation* | *Net Book Value Dec. 31,1983* | *Net Book Value Dec. 31, 1982* |
|---|---|---|---|---|
| | | *(Thousands of dollars)* | | |
| Land | $ 14,010 | $ – | $ 14,010 | $ 14,203 |
| Buildings | 71,715 | 12,781 | 58,934 | 50,365 |
| Furniture & Equipment | 19,597 | 7,283 | 12,314 | 7,820 |
| Computers Under Capital Lease | 7,417 | 2,528 | 4,889 | 2,958 |
| Leasehold Improvements | 777 | 449 | 328 | 690 |
| | $113,516 | $ 23,041 | $ 90,475 | $ 76,036 |

Depreciation has been charged at the following rates – Buildings 5-10%; Furniture and equipment 10-50%; Computers under capital lease 25-40%.

Depreciation expense for the year ended December 31, 1983 amounted to $7,807,000 (1982 – $4,786,000).

## 8. OBLIGATION UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under capital leases.

| *Year Ended December 31* | *(Thousands of dollars)* |
|---|---|
| 1984 | $ 3,523 |
| 1985 | 1,553 |
| 1986 | 906 |
| Total minimum lease payments | 5,982 |
| *Less:* Amounts representing insurance and maintenance | (637) |
| Amounts representing interest | (684) |
| Present value of the minimum lease payments | $ 4,661 |

Interest expensed in the year ended December 31, 1983 amounted to $536,000 (1982 – $489,000).

## 9. UNEARNED PREMIUMS

| | *Dec. 31, 1983* | *Dec. 31, 1982* |
|---|---|---|
| | *(Thousands of dollars)* | |
| Insurance (Motor Vehicle) Act Fund | $240,696 | $225,244 |
| General Insurance | 15,259 | 13,432 |
| Total Unearned Premiums | $255,955 | $238,676 |

## 10. UNPAID CLAIMS

| | Dec. 31, 1983 | Dec. 31, 1982 |
|---|---|---|
| | (Thousands of dollars) | |
| Insurance (Motor Vehicle) Act Fund | $762,057 | $623,914 |
| General Insurance | 17,338 | 18,934 |
| Total Unpaid Claims | $779,395 | $642,848 |

## 11. CASH FLOW FROM OPERATIONS

| | Twelve Months Ended | |
|---|---|---|
| | Dec. 31, 1983 | Dec. 31, 1982 |
| | (Thousands of dollars) | |
| Insurance (Motor Vehicle) Act Fund | | |
| Income for the year | $ 4,336 | $ 3,200 |
| Depreciation and amortization | 7,768 | 4,711 |
| Cash flow from operations | $ 12,104 | $ 7,911 |
| General Insurance and other operations | | |
| Income for the year | $ 978 | $ 24 |
| Depreciation and amortization | 39 | 75 |
| Cash flow from operations | $ 1,017 | $ 99 |

## 12. PENSION PLAN

Certain employees participate in a contributory pension plan and are entitled to vested interests prior to retirement.

Employees contribute a specified percentage of salaries. The Corporation contributes to the Plan all amounts as actuarially determined, over and above employee contributions, to fund the benefits earned by employees under the Plan.

The Plan is subject to an actuarial evaluation at least once in every three years. The most recent evaluation was effective as of December 31, 1982, at which time the Plan was determined to be actuarially sound. No major changes have affected the Plan since that date.

Contributions by the Corporation for the year ended December 31, 1983, were $3,292,000 (1982 — $2,902,000).

## *Auditors' Report*

The Honourable James Hewitt
Minister of Consumer and Corporate Affairs
Province of British Columbia

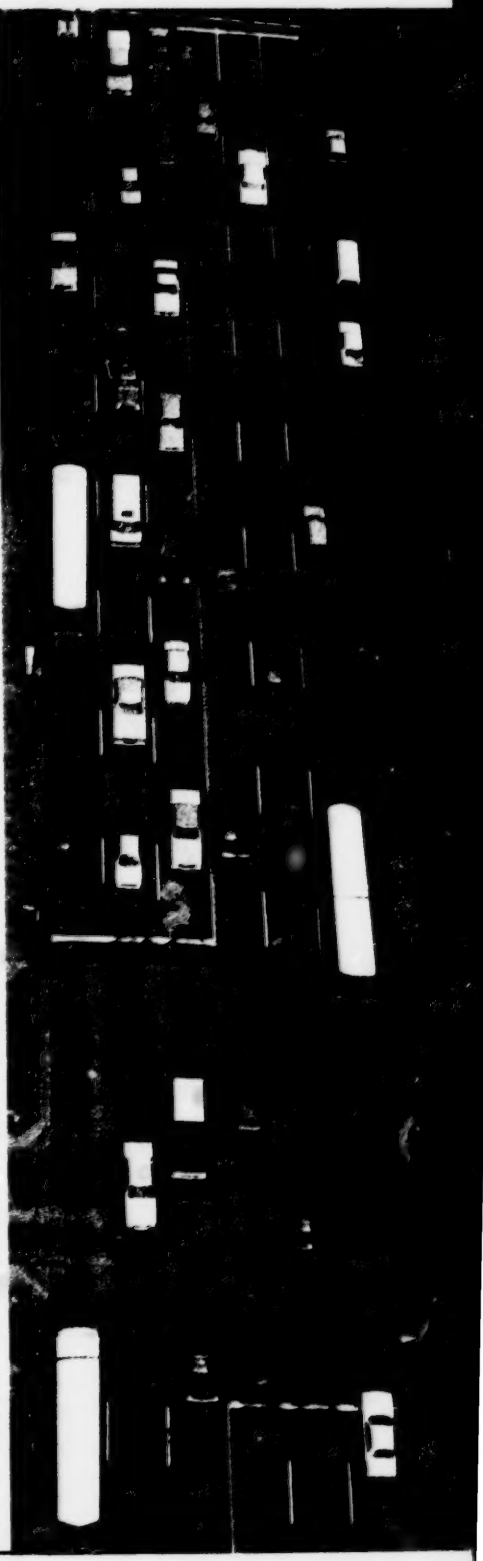
We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1983, the statements of general insurance and other operations and changes in financial position of the Corporation and the statement of operations of the Insurance (Motor Vehicle) Act Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1983, the results of its operations and the changes in its financial position and the results of the operations of the Insurance (Motor Vehicle) Act Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The 1982 comparative figures are based upon financial statements which were reported on by another firm of Chartered Accountants.

Touche Ross & Co.

CHARTERED ACCOUNTANTS
*Vancouver, British Columbia*
*February 13, 1984*



## Board of Directors

John C. Gilmer (+)
*Chairman of the Board*
*Formerly President and*
*Chief Executive Officer,*
*CP Air*

Thomas E. Holmes
*President and Chief Executive Officer*

The Honourable James J. Hewitt (+)
*Minister of Consumer and Corporate Affairs*
*Province of British Columbia*

Jacob Brouwer
*Formerly President*
*Brouwer and Company*
*General Insurance Adjusters Ltd.*

Isabelle Chisholm (+)
*President*
*Chisholm Industries Limited*
*Vancouver, B.C.*

Walter H. Dyck (*)(**)
*Senior Partner*
*Campbell Sharp, Chartered Accountants*
*Vancouver, B.C.*

Lawrence B. Eberhardt (*)(**)
*Vancouver, B.C.*
*Formerly Chairman, President and*
*Chief Executive Officer*
*Neon Products Canada Ltd.*

Norman H. Manning (*)(**)
*Victoria, B.C.*
*Formerly Chief Executive*
*Guardian Royal Exchange Group*
*Insurance Companies*

Donald N. Watson (**)
*Chairman of the Board*
*B.C. Resources Investment Corporation*
*Vancouver, B.C.*

## Major Committees of the Board

(*) *Audit Committee*
(**) *Budget Committee*
(+) *Investment Committee*

## President's Committee

T. E. Holmes
*President and Chief Executive Officer*

J. W. Bardua
*Vice President, Administration*

M. B. McCarthy
*Vice President, Insurance Operations*

D. McLean
*Manager, Information Services*

B. F. Pearson
*Vice President, Autoplan Claims*

C. B. Penhall
*Manager, Public Information*

R. H. Power
*Vice President, Finance and Planning*

H. G. Reid
*Corporate Secretary and General Counsel*

## Claim Service Locations

*Lower Mainland*
Burnaby
Chilliwack
Coquitlam
East Vancouver
Kingsway
Langley
Matsqui
North Vancouver
Richmond
South West Marine
Squamish
Surrey
West Broadway

*Vancouver Island*
Campbell River
Courtenay
Duncan
Nanaimo
Port Alberni
Port Hardy
Victoria

*Other areas of B.C.*
Cranbrook
Dawson Creek
Fort St. John
Kamloops
Kelowna
Nelson
100 Mile House
Penticton
Powell River
Prince George
Prince Rupert
Quesnel
Salmon Arm
Smithers
Terrace
Trail
Vernon
Williams Lake

**Administrative Office:** 151 West Esplanade, North Vancouver, B.C. V7M 3H9

**Auditors:** Touche Ross & Co., Chartered Accountants, Vancouver, B.C.

**Banker:** The Royal Bank of Canada, Vancouver, B.C.



BROADWAY PRINTERS

POOR

QUALITY

ORIGINAL